Legislative Fiscal Bureau
Fiscal Note

SF 2280 - DHS, Child Welfare Requirements (LSB 6631 SV)
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Fiscal Note Version - First Version

Description

Senate File 2280 requires the Department of Human Services (DHS) to adopt various administrative rules to change provider eligibility, reimbursements, staffing and service requirements, and treatment requirements.

Assumptions

1. The costs relating to the State plan amendments (referring to the process required to change the State of Iowa's Medicaid provisions) required in the Bill and requested by the DHS by January 1, 2003 (one half year of FY 2003), to implement the administrative rule changes for the eight rehabilitative treatment service changes would be the responsibility of the State of Iowa.
2. The costs relating to the State plan amendments requested by the DHS by June 30, 2003 (no cost in FY 2003), to implement the administrative rule changes for the remaining rehabilitative treatment service changes required by the Bill would be the responsibility of the State of Iowa.
3. Changes to the certification process (deemed status) would result in loss of federal funding due to not meeting federal accountability requirements (ties to #1 of Fiscal Impact).
4. Changes in staffing qualifications reduce the cost of doing business by the providers (ties to #3 of Fiscal Impact).
5. Changes in the timing of and detail provided within documentation for skill development activities within the group care setting would result in possible loss of federal funding due to lack of information required by the federal government (ties to #4 of Fiscal Impact).
6. Changes to treatment record requirements such as the case permanency plan, the setting in which the service is provided, and referral worker correspondence would resulting in possible loss of federal funding due to lack of information requirement by the federal government (ties to #5 of Fiscal Impact).
7. Changes to treatment plan development, review, revision, and writing which results in noncompliance with federal requirements would result in loss of federal funding (ties to #6 of Fiscal Impact).
8. Establish reimbursements for day treatment programs (ties to #7 of Fiscal Impact).
9. Staff supervision requirements would be eliminated (ties to #8 of Fiscal Impact).
10. For changes to take place by June 30, 2003 (ties to #9 of Fiscal Impact):
    a. The DHS would assume the cost of overpayments to providers.
    b. Various changes to decrease the costs of providers would reflect decreased reimbursement rates.
    c. The DHS would assume the State cost of the Iowa Behavioral State Plan for evaluations of certain children.

Fiscal Impact

1. To provide the federal portion of the rehabilitative treatment service provider reimbursements for the providers currently accredited by the DHS process in lieu of certified (deemed status) and not reduce reimbursement rates results in an FY 2003 cost of $5.8 million and for FY 2004 an $11.6 million cost. In the event that the federal

Centers for Medicare and Medicaid approve the change in status classification for these 18 providers, there would be no cost to the State. There would also be a negative impact to the Field Operations budget unit of a decrease of federal revenues of $271,000 for FY 2003 and $541,000 for FY 2004. This in turn impacts the amount of federal funds matched, losing $93,000 in FY 2003 and $185,000 in FY 2004. There may be an undeterminable savings in costs relating to the State FTE positions no longer performing State residential treatment service certifications since accreditation would determine the status of the provider.

2. There is no cost to changing the accounting for therapy and counseling hours per week in lieu of the current monthly average of hours provided weekly.
3. There may be an unspecified change in provider overhead costs resulting in adjustments in reimbursement rates with changes in staff qualifications. The amount is not able to be determined based upon not knowing the possible changes in overhead costs. Readjustment of the provider costs would entail additional effort by the providers which would result in an increase of overhead costs. The savings or cost would be a combination of State and federal funds. The portion of savings or costs included within the reimbursement rate could be adjusted to eliminate any costs associated with the changes in staff qualifications and readjustment of overhead costs from allowable costs for reimbursement rate calculations.
4. The amount of federal funds lost that may need to be replaced with State funds due to changes in the reporting requirements for skill development activities within the group care setting is not able to be determined.
5. The amount of federal funds lost that may need to be replaced with State funds due to changes in treatment record requirements which may not provide adequate documentation on behalf of the federal Centers for Medicare and Medicaid (CMS) is not able to be determined.
6. The amount of federal funds lost that my need to be replaced with State funds due to noncompliance with federal treatment plan requirements is not able to be determined.
7. The amount appropriated for a day treatment program would determine the reimbursement rate and State portion of the total cost. Based upon FY 1998 data estimates, the FY 2003 State cost for initiating such a program would be $1.6 million. In the event that the current funding used from the category of family-centered services for day treatment services is utilized for the new day treatment reimbursement category, the change would not cause a fiscal impact.
8. Eliminating staff supervision requirements would decrease provider costs resulting in a decrease in reimbursement rates. The amount of savings is not able to be determined but would lessen if costs associated with changing the requirements increases the provider's cost which may increase reimbursement rates that are dependent upon provider cost.
9. The other items required to be changed by administrative rule by June 30, 2003, would have an impact only in FY 2004. These include:
    a. Shared risk of repayment for overpayments determined by audits. The annual average of recoupment has been $267,000 which may be an increased cost with the change required by the Bill.
    b. Changes to the staff-to-client ratio. This should reduce the operating cost of the provider which should reduce the reimbursement rate in an unknown amount, which includes a split of State/federal funds.
    c. Utilization of electronic background record checks. The State system for this purpose is in existence, it is a matter of training for utilization by providers.
    d. Removing caseload and staffing requirements within the providers of family preservation services. This should reduce the operating cost of the provider which should reduce the reimbursement rate in an unknown amount, which includes a split of State/federal funds.

e. Additional reimbursement distinctions (codes) for various costs relating to the provision of services. The fiscal impact could be a savings if the additional codes allows for a more accurate reflection of the actual costs, which includes a split of State/federal funds.
f. The cost requiring the contractee for the Iowa Plan for Behavioral Health to pay for substance abuse evaluations for children on Medicaid is not possible to estimate. The cost increase would be a split between State and federal funds.
g. Rewrite the administrative rules relating to foster family care. A cost estimate is not possible with the lack of information provided in the report regarding what changes would occur in the rewritten rules.
h. The provision of including all child welfare services in one contract per provider would not have a fiscal impact towards the reimbursement rates.
i. The centralized payment system for recoupment payments would not have a fiscal impact towards the reimbursement rates.
j. Permitting providers to directly communicate with the Iowa Foundation for Medical Care during the reauthorization of services would not have a fiscal impact towards the reimbursement rates.
k. Changes to the reporting requirement to eliminate reporting by the number of minutes of service. Since the change does not specify replacement of minutes of service by another time factor, the federal portion of the reimbursement rates for the services provided may be in jeopardy, and the State would be responsible for the entire cost. This amount is not able to be determined.
l. The elimination of staff salaries and administrative cost limits would cause additional costs which may require increases in reimbursement rates when rates are renegotiated. This amount is not able to be determined.

10. Fiscal Agent contracting costs would increase based upon recalculating the provider reimbursement rates. This would be $73,000 in FY 2003 and $35,000 in FY 2004.
11. If permanent staff is added, $20,000 would provide 0.5 FTE position for FY 2003 and in FY 2004. Additional one-time staff may be necessary to address the numerous state plan amendment changes required in the Bill, with 3.0 FTE positions for FY 2003 only at $180,000.

Recap of SF 2280 Impact of State Costs

Change/Description	FY 2003	FY 2004
Certification Status	$5,800,000	$11,500,000
Lost Field Operations Funding	271,000	541,000
Lost Federal Match - Field Ops. Funding	93,000	185,000
Fiscal Agent Costs	73,000	35,000
Day Treatment	800,000	1,600,000
Overpayments - State	0	267,000
Permanent DHS Staff	20,000	20,000
Temporary DHS Staff	180,000	0
Unknown impact for various changes	Unknown	Unknown
Subtotal	$7,237,000	$14,148,000
Day Treatment - utilize existing funds	- 800,000	- 1,600,000
Total	$6,437,000	$12,548,000

The $6.4 million and the $12.5 million are State funds projected to be necessary based upon the denial of the State Plan amendments by the federal Centers for Medicare and Medicaid Services and adoption of administrative rules as required by the Bill to implement the changes in the various components of the residential treatment services.

Sources

Department of Human Services
Coalition of Children and Families
Merit Behavioral Care of Iowa

/s/ Dennis C Prouty

March 12, 2002

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.